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## **INTRODUCTION**

The Office of Internal Audit performed an audit of Baraga/Houghton/Keweenaw County DHS for the period September 1, 2005 through September 30, 2006. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Department of Human Services (DHS) are being followed. Baraga County DHS had 9 full time equated positions (FTE's) at the time of our review and Houghton/Keweenaw County DHS had 24. Baraga County DHS provided assistance to an average 921 customers per month during FY 2005, with total assistance payments of \$1,370,099 during that year. Houghton County DHS provided assistance to an average 3,119 customers per month and Keweenaw to an average 159 customers per month during FY 2005, with total assistance payments of \$3,787,638 and \$172,365 respectively during that year.

## **SCOPE**

Our audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at Baraga/Houghton/Keweenaw County DHS, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

Cash Receipts

Cash Disbursements

State Emergency Relief

Safe and Controlled Documents

Client Processing

Child Day Care Case File Documentation

Direct Supportive Services

CIMS/ASSIST Security

Payroll and Timekeeping

Procurement Card

CPS Case File Documentation

State Car Usage

We also included a review of foster care cases, but that review was limited in scope due to time constraints. Because our review was limited to testing for the inclusion of only the most critical documents in the case files we reviewed, our audit was not sufficient in scope to formulate a conclusion on the adequacy of internal controls in that program.

### **EXECUTIVE SUMMARY**

Based on our audit, we concluded that Baraga/Houghton/Keweenaw County DHS's internal controls need improvement in order to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. We found that controls were adequate for Client Intake Processing, Safe and Controlled Documents, Procurement Card, State Car Usage, and Children's Protective Services Case File Documentation for all three counties, and for Cash Disbursements and Child Development and Care Case File Documentation in Baraga County DHS. However, we found several instances of noncompliance with DHS policies and procedures and weaknesses in internal controls in CIMS and ASSIST Security and Direct Support Services Case File Documentation, and a few instances of non-compliance in other areas, which are detailed below.

### **LOCAL OFFICE RESPONSE**

The management of Baraga/Houghton/Keweenaw County DHS has reviewed all findings and recommendations included in this report. They indicated in an e-mail on December 22, 2006 that they are in general agreement with the report and have implemented corrective action for all items.

## **FINDINGS AND RECOMMENDATIONS**

### **CIMS and ASSIST Security**

#### **Missing and Inaccurate CIMS Security Agreements**

1. Baraga/Houghton/Keweenaw County DHS did not have accurate, up-to-date Security Agreements (DHS-3974A) on file for all its employees who have access to the Client Information Management System (CIMS), as required by L-Letter 97-063. They did not have Security Agreements on file for 19 employees with access to CIMS. Five employees had Security Agreements on file, but the status shown on the agreement did not match the status listed on the Operator Identification Report (PF-011), and one had left the status space blank on their Security Agreement. In addition, one employee was listed as having a customized status on the PF-011 Report, although the customization was not documented on the DHS-3974A, and two employees had not signed their DHS-3974A. Also, seven individuals who were no longer employed by Baraga/Houghton/Keweenaw County DHS still appeared on the PF-011 Report indicating they still had status on CIMS. Accurate, up-to-date security agreements are necessary to document that the employee understands the responsibilities associated with their level of access to CIMS, and that their supervisor has approved that level of access.

WE RECOMMEND that Baraga/Houghton/Keweenaw County DHS ensure that signed, accurate, up-to-date Security Agreements are on file for all employees with access to CIMS.

WE ALSO RECOMMEND that Baraga/Houghton/Keweenaw County DHS terminate CIMS access for all departing employees.

### Missing and Inaccurate ASSIST Enrollment Profiles and Security Agreements

2. Baraga/Houghton/Keweenaw County DHS did not have accurate, up-to-date Enrollment Profiles (DHS-3720) and Security Agreements (DHS-3721) on file for all employees who have access to ASSIST, as required by L-Letter 97-156. They did not have a DHS-3720 on file for 12 of 31 employees with ASSIST access, and did not have a DHS-3721 on file for 19 of those 31 employees. In addition, 10 employees were listed on the Monthly User Listing for ASSIST (VB9-554) with job types that were not included on their DHS-3720's. Accurate, up-to-date Enrollment Profiles and Security Agreements are necessary to document that the employee understands the responsibilities associated with their level of access to ASSIST, and that their supervisor has approved that level of access.

WE RECOMMEND that Baraga/Houghton/Keweenaw County DHS ensure that accurate, up-to-date Security Agreements and Enrollment Profiles are on file for all employees who have access to ASSIST.

### Security Officer

3. Baraga/Houghton/Keweenaw County DHS did not have a security officer for CIMS or ASSIST. The Security Officer's duties include reviewing reports of transactions processed by the Security Coordinator to ensure that transactions are appropriate and properly authorized. These transactions are listed on the CIMS Security Officer's Report (PD-180), the ASSIST Security Violation Report (VB9-173), and Security Officer's Report (VB9-163).

WE RECOMMEND that Baraga/Houghton/Keweenaw County DHS appoint a Security Officer, and arrange to have the Security Reports sent to this individual for review.

#### Supplemental Payments Reconciliation

4. Houghton County DHS was not reconciling supplemental payments listed on the Transaction Control List (MA-010) or Supplemental Payments Listing (SP-270) to the supporting documentation for those payments. This reconciliation is recommended by the Primary Internal Control Criteria for Local/District Office Operations to help ensure that supplemental payments are appropriate and properly supported.

WE RECOMMEND that Houghton County DHS have an independent person reconcile supplemental payments listed on the MA-010 or SP-270 Report to the appropriate supporting documentation.

#### Reconciliation of Openings and Reopenings

5. Baraga/Houghton/Keweenaw County DHS did not have an independent person reconcile openings and reopenings listed on the MA-010 Report to casefile documentation, as required by the Primary Internal Control Criteria for DHS Local/District Office Operations. This reconciliation should be performed to verify that cases were opened by the assigned worker.

WE RECOMMEND that Baraga/Houghton/Keweenaw County DHS have an independent person reconcile openings and reopenings listed on the MA-010 Report to the casefile documentation.

#### Off-Site Storage of Back-Up Tapes

6. Houghton and Keweenaw Counties did not store back-up tapes at an off-site location, as recommended by the Primary Internal Control Criteria for DHS

Local/District Office Operations. Storing back-up tapes at an off-site location helps to ensure that data could be retrieved in the event of a flood, fire, or other disaster at the local office.

WE RECOMMEND that Houghton and Keweenaw Counties store monthly back-up tapes at an off-site location.

### **Cash Receipts**

#### **Mail Pick-Up**

6. Keweenaw County DHS had one person retrieve the U.S. Mail from the mailbox and open the mail. Baraga County DHS had one person pick up the mail in a locked bag, but this person had access to the key to open the bag, and one person opened the mail. Accounting Manual Item 431 states two people should open the mail together, one of them opening the mail and the other logging the negotiable items received. In addition, the Primary Internal Control Criteria for DHS Local/District Office Operations recommends that either two employees pick up the mail or one employee, who does not have access to the key, picks up the mail in a locked mail bag. Implementing controls for mail pick-up and having two employees work together to open the mail helps to ensure that all items received are recorded.

WE RECOMMEND that Baraga and Keweenaw Counties implement controls over the mail pick-up process, and have one mail clerk open the mail and the second mail clerk log the checks, money orders and the returned state warrants.

## **Cash Disbursements**

### **Missing Medical Needs Statements**

7. Houghton County DHS did not have a Medical Needs Statement (DHS-54) included with the payment documentation for 2 cases included in our review of disbursements. The DHS-54 is necessary to document the doctor's verification that the client has a need for medical treatment for which the worker is authorizing payment for medical transportation.

WE RECOMMEND that Houghton County DHS ensure that the DHS-54 is attached to the payment authorization for all medical transportation payments.

## **Direct Support Services**

### **Missing Casefile Documentation**

8. Houghton County DHS did not have documentation in the case file that the client owned the car for 7 of 10 car repairs included in our sample. In addition, they did not have a copy of the client's driver's license for 6 of those cases, did not have verification that the vehicle was insured for 8 cases, and did not document the reason the repair was needed in 9 cases. Also, the case file did not contain a current Application (DHS-1171) for 2 cases or a current budget for 1 case. Eight cases did not contain a Support Services Determination (DHS-4749), one case had an incomplete DHS-4749, one case did not have an Employment Services Payment Authorization (DHS-4663), and 2 cases did not have a copy of an invoice or bill for the service. Program Eligibility Manual Item 232 describes the documentation requirements for Direct Support Services. Documentation that the client owns the car, has it insured, has a valid driver's license, and a need for the vehicle helps to ensure that car repairs paid for with DSS funds are for the intended purpose of that program.



Keweenaw County DHS did not have a Support Services Determination (DHS-4749) in the case file for one of the four payments we reviewed.

Baraga County DHS did not have a Support Services Determination (DHS-4749) for any of the 4 DSS payments we reviewed, did not have proof of vehicle ownership or proof of insurance for both car repairs included in our review, and did not have a copy of the client's driver's license for one of the car repairs.

WE RECOMMEND that Baraga/Houghton/Keweenaw County DHS ensure that all necessary documentation is on file for car repairs authorized for payment using DSS funds.

### **Foster Care Case File Documentation**

#### **Missing Periodic Case Reviews**

9. Houghton and Baraga Counties did not have Periodic Case Reviews/Dispositional Reports (DHS-915) on file for any of the 8 Foster Care case files we reviewed. The DHS-915 is required by Children's Foster Care Manual Item 722-5.

WE RECOMMEND that Houghton and Baraga Counties ensure that the DHS-915 is on file for all Children's Foster Care cases.

### **Child Day Care Case File Documentation**

#### **Missing Child Development and Care Application**

10. Houghton County DHS did not have a Child Development and Care Application (DHS-4583) on file for 1 out of the 5 child day care cases reviewed. Program

Administrative Manual (PAM) 115 requires that the client complete and sign the DHS-4583 when applying for day care.

WE RECOMMEND that Houghton County DHS ensure that the DHS-4583 is on file for all Child Day Care cases.

### **Payroll and Timekeeping**

#### **Time Released Prior to Certification**

11. The Baraga/Houghton/Keweenaw County DHS timekeeper was releasing the time in DCDS prior to the time being reviewed and certified. Primary Internal Control Criteria for Local Offices indicates the time is to be certified prior to being released to DCDS to help ensure the accuracy of the time reported.

WE RECOMMEND that the Baraga/Houghton/Keweenaw County DHS timekeeper release the time after it has been reviewed and certified.